LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis

Recommendation No. **RECOMMENDATION 159**
Streamlining Draft **AGDAVIS 3**

Date:	December 15, 2009 2:47 PM	**Author:**	
Dept./Agy.:	Statewide		
Subject:	Vehicles	**Analyst:**	Travis McIlwain

Statewide

Reduce the state's vehicle fleet by 10% in FY 10, FY 11 and FY 12 and emphasize pooling and convert many agency fleets to rentals.

Reduce the state automobile fleet by at least 10% prior to December 31, 2009; reduce at least an additional 10% of the 11,484 vehicles remaining prior to December 31, 2010; reduce at least an additional 10% of the 10,336 vehicles remaining prior to December 2011; emphasize pooling and convert many agency fleets to rentals.

EXPENDITURES	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	DECREASE	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	DECREASE	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	DECREASE	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	INCREASE	INCREASE	$0	$0	$0	**$0**
Ded./Other	INCREASE	INCREASE	$0	$0	$0	**$0**
Federal Funds	INCREASE	INCREASE	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Reducing the number of state-owned vehicles 10% in FY 10, FY 11 and FY 12 is anticipated to result in a maintenance expenditure reduction of approximately $1.6 million in FY 10, $1.5 million in FY 11 and $1.3 million in FY 12. The total fleet reduction is 1,241 vehicles in FY 10, 1,117 vehicles in FY 11 and 1,005 vehicles in FY 12. The state's fleet at the end of FY 09, which was utilized for these calculations, was approximately 12,411. Departments utilize various means of financing to fund its automobile maintenance expenditures. Thus, expenditure impacts that result from this proposal as currently written will accrue to all means of financing.

According to the Louisiana Property Assistance Agency (LPAA), in calendar year 2008 the per vehicle maintenance expenditure (maintenance/insurance) was approximately $1,327/vehicle. Fuel expenditures will have no impact as fuel cost is contingent upon miles traveled and not the number of vehicles in need of maintenance. However, these savings could be diminished if the remaining vehicles are driven additional miles per year or if the the cost to replace those eliminated vehicles with rental vehicles exceeds the cost of ownership.

Annual vehicle purchases are typically one-time purchases that are nonrecurred every year by the Division of Administration during the Executive Budget Development process. Thus, the fiscal impact of not replacing a vehicle due to this recommendation is not considered because absent of this recommendation those specific vehicles are nonrecurred every year during the normal Executive Budget Development process anyway. However, in its fiscal analysis of this recommendation, the Division of Administration (DOA) assumes that the per year savings generated by not replacing 13% of those vehicles reduced annually is $2.5 million in FY 10, $2.2 million in FY 11 and $2.0 million in FY 11. According to the DOA since 2004, approximately 13% of the state's vehicle fleet is replaced each year.

NOTE: The expenditure impact discussed above includes law enforcement vehicles. To the extent law enforcement vehicles are excluded, the anticipated annual maintenance reduction is approximately $1.2 million in FY 10, $1.1 million in FY 11 and $0.9 million in FY 12 and the number of vehicles reduced is 887 in FY 10, 799 in FY 11, and 719 in FY 12.
(Continued on Page 2)

REVENUE EXPLANATION

This proposal will increase one-time state revenue in the amount of $3.4 million in FY 10, $3.0 million in FY 11, and $2.7 million in FY 12 due to the surplus of vehicles reduced as a result of this proposal. According to the Louisiana Property Assistance Agency (LPAA), the average auction for a vehicle that is surplused is approximately $2,700. Thus, by reducing the number of state-owned vehicles 1,241 in FY 10, 1,117 in FY 11 and 1,005 in FY 12 will result in one time revenues. (Page 2)

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $500,000 Annual Fiscal Cost		☐ 6.8(F) >= $500,000 Annual Fiscal Cost
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:

CONTINUED EXPENDITURE EXPLANATION:
This proposal also provides for emphasis on pooling and converting vehicle fleets to rental fleets. For illustrative purposes, the annual cost of owning a vehicle, representative of vehicles purchased by the state, is approximately $3,577/year, while the annual cost to rent a comparable vehicle ranges from approximately $1,700/year to $11,900/year depending upon the number of days per week of usage.

The cost associated with owning a vehicle is based upon the following assumptions:
1.) That the annual maintenance expenditures for a state-owned vehicle are $1,327/year ($455/vehicle - maintenance, $872/vehicle - insurance);
2.) That the average state vehicle cost is $15,000 (LPAA);
3.) That the average state vehicle life span is 6 years (LPAA);
4.) That the average salvage value of a state vehicle at the end of its life is $1,500 (LPAA);
5.) That utilizing the straight-line depreciation method yields an average annual cost of a state vehicle is $2,250/year [($15,000 - $1,500/6 = $2,250].

Based upon the assumptions above, on average the annual costs associated with owning a state vehicle is approximately $3,577/year.

The cost range associated with renting a vehicle is based upon the following assumptions:
1.) That rental cost is $34/day (mid-size rental rate);
2.) That the number of weeks per year rented is 50 weeks;
3.) That an agency could rent a vehicle from 1 day/week to 7 days/week.

Based upon the assumptions above, on average the annual costs associated with renting a vehicle ranges from approximately $1,700/year to $11,900/year.

Days Per Week	Rental Cost/Year
1	$1,700
2	$3,400
3	$5,100
4	$6,800
5	$8,500
6	$10,200
7	$11,900

Based upon the assumptions and information presented in the chart above, it appears the cost to rent a vehicle for 3 or more days per week would increase overall state expenditure. The increase in cost would range from $1,523/year to $8,323/year.

CONTINUED REVENUE EXPLANATION:
The typical average surplus amount per state vehicle is approximately $1,500. However, due to the current vehicle moratorium currently being enforced by the commissioner of administration and this specific recommendation becoming a reality, the LPAA will likely receive a better quality vehicle to auction as opposed to the older vehicles historically received.

The revenues generated from the auction will accrue to either the selling agency or the LPAA. If the vehicle was purchased with federal grant funds, fees and self-generated revenues or statutory dedications, the LPAA typically receives 20% of the proceeds, while the selling agency receives 80%. If the vehicle was purchased with state general fund, the LPAA receives the full amount generated from the auction. All revenues generated to the LPAA are classified as fees and self-generated revenues. The LPAA is a budget unit within the ancillary appropriations bill.

Senate | Dual Referral Rules | House

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